United Nations A/C.5/52/SR.8

General Assembly
Fifty-second session

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**Fifth Committee**

**Summary record of the 8th meeting**
Held at Headquarters, New York, on Monday, 13 October 1997, at 3 p.m.

*Chairman*: Mr. Chowdhury ..... (Bangladesh)
*Chairman of the Advisory Committee on Administrative and Budgetary Questions*: Mr. Mselle

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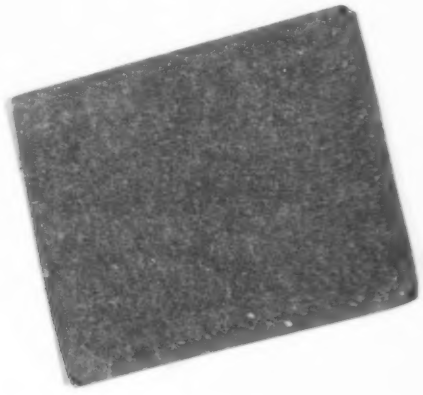
Agenda item 142: Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations (*continued*)

(a) Financing of the United Nations peacekeeping operations (*continued*)



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97-82041 (E)

*The meeting was called to order at 3.05 p.m.*

**Agenda item 142: Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations** (*continued*)

**(a) Financing of the United Nations peacekeeping operations** (*continued*)

*Draft resolution A/C.5/52/L.3*

1. **Ms. Peña** (Mexico) introduced, on behalf of the Chairman, draft resolution A/C.5/52/L.3, which consisted of two parts: one entitled "Financing of the United Nations Logistics Base at Brindisi, Italy" and one entitled "Management of peacekeeping assets: Field assets control system". Since the text had been agreed upon in informal consultations, she recommended that it should be adopted without a vote.

2. *Draft resolution A/C.5/52/L.3 was adopted.*

3. **Mr. Boynton** (United States of America) said that the United Nations Logistics Base at Brindisi was an indispensable part of the comprehensive system for managing assets, including peacekeeping assets. His delegation was pleased that the Committee had reaffirmed that the Brindisi facility was the Organization's permanent logistics base.

4. The United States felt that the Logistics Base should have a budget. It would have preferred to take a decision on the matter at the current meeting, as it did not believe that the inventory backlog at the Logistics Base had to be cleared before such a decision could be taken. Reports should be submitted, and decisions taken, at the first resumed session, on the future financing of the Logistics Base. On that occasion, the Committee would also consider storing other assets at the Base, such as assets of the World Food Programme, the Office of the United Nations High Commissioner for Refugees and the Department of Humanitarian Affairs.

5. His delegation had been concerned to learn that, contrary to what the Secretary-General had implied in his report, assets of the Department of Humanitarian Affairs were currently stored in the facility in Pisa, Italy, and could remain there until April 1999. There should be only one logistics facility in Italy. He asked for an explanation of the Secretariat's previous statement that the Pisa facility had been closed for "regular budget purposes", and of how much and what type of money was involved in the facility.

6. The inventory backlog at Brindisi must be cleared expeditiously, effectively and efficiently, preferably by the first resumed session so that the problem would cease to distract the Committee's attention from the role of the Logistics Base as part of the comprehensive asset management system. A report should be submitted on the backlog liquidation and the amount of money spent on it.

7. With respect to asset management, he urged the Secretariat to complete and issue all relevant manuals, including the Operational Support Manual.

8. With respect to the staff of the Brindisi facility, his delegation did not recognize and would not agree to international General Service posts or to a designated resident auditor post. Any audit functions could be carried out using the United Nations system's existing audit capabilities.

9. He urged the Secretariat and the Logistics Base to ensure that the Base was functioning at peak efficiency by the first resumed session. Meanwhile, the monthly commitment level approved by the Committee was greater than the reported monthly expenditure level between July and September 1997. Thus, the Base had more than enough funds to function optimally. The Secretariat should ensure that it performed efficiently, effectively and with maximum cost-effectiveness.

*The meeting rose at 3.15 p.m.*

United Nations A/C.5/52/SR.9

# General Assembly
Fifty-second session

Official Records

Distr.: General
5 November 1997

Original: English

**Fifth Committee**

**Summary record of the 9th meeting**
Held at Headquarters, New York, on Monday, 20 October 1997, at 3 p.m.

*Chairman:* Mr. Chowdhury ..... (Bangladesh)
*Chairman of the Advisory Committee on Administrative and Budgetary Questions:* Mr. Mselle

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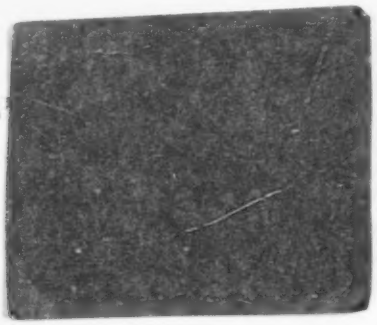
Agenda item 120: Scale of assessments for the apportionment of the expenses of the United Nations



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97-82156 (E)

*The meeting was called to order at 3.10 p.m.*

**Agenda item 120: Scale of assessments for the apportionment of the expenses of the United Nations** (A/51/11 and Corr.1)

1. **Mr. Etuket** (Chairman of the Committee on Contributions), introducing the report of the Committee on Contributions (A/51/11 and Corr.1); said that at its fifty-seventh session the Committee on Contributions, in considering the scale of assessments for the apportionment of the expenses of the United Nations for the period 1998-2000, had been guided by the relevant resolutions of the General Assembly and had drawn on its earlier review of the scale methodology. The eight proposals for the scale requested by the General Assembly in resolution 51/212 B were contained in annex I to the Committee's report.

2. In order for the machine scales for the eight proposals to be based on reliable, verifiable and comparable data, the Committee on Contributions had reviewed the gross national product and national income of Member States. It had also considered written representations from some Member States and held an information meeting with various others, as indicated in paragraphs 31 and 36 of its report. The results of the review and of the written and oral representations were described in the report (paras. 29 to 57), and were also reflected in the eight machine scales.

3. In order to arrive at the machine scales, it had been necessary to make assumptions on some of the proposals, as outlined in paragraphs 58 to 70 of the report, including assumptions with respect to conversion rates and the phase-out of the scheme of limits. The resulting machine scales were contained in annexes II to IX. Section V of the report outlined the assessment rates that would be used for the calculation of flat annual fees from specified non-member States under the eight proposals.

4. In considering how best to respond to the request by the General Assembly for recommendations on the eight proposals outlined in resolution 51/212 B, the Committee on Contributions had decided to aim at putting forth a ninth proposal which would reflect a consensus on all the major elements of the scale. In that connection, it had reaffirmed the recommendations made at its previous session and had resumed its review of those elements of the scale methodology on which agreement had not been reached. While the Committee had reached tentative agreement on the base period, the debt burden adjustment and the scheme of limits, it had been unable to reach agreement on a ninth proposal. Nevertheless, the recommendations made by the Committee at its fifty-sixth session, together with the tentative agreements reached at its fifty-seventh session, could be helpful to the General Assembly when it came to decide on an approach for the next scale.

5. With regard to the application of Article 19 of the Charter, the Committee had continued its review of the procedural aspects of requests for exemption; its observations were contained in paragraphs 8 to 15 of the report. The Committee had also determined that the failure of Liberia, Tajikistan and Comoros to pay the amounts necessary to avoid the application of Article 19 had been due to conditions beyond their control, and it had recommended that they should be permitted to vote through the fifty-second session. The General Assembly had already taken action on that recommendation.

6. The Committee on Contributions had taken note of the information provided on contributions in currencies other than the United States dollar and on the collection of contributions. Since the conclusion of the Committee's fifty-seventh session, of the 21 Member States listed in paragraph 100 of the report as being in arrears under the terms of Article 19 of the Charter, 10 – Chad, Republic of Congo, Dominica, Equatorial Guinea, Grenada, Guinea-Bissau, Kyrgyzstan, Republic of Moldova, Rwanda and Seychelles – had made the necessary payments to avoid the application of that Article.

7. **Mr. Maddens** (Belgium), speaking on behalf of the European Union, and the associate countries of Cyprus, the Czech Republic, Estonia, Hungary, Lithuania, Romania, Slovakia and Slovenia, said that the problem confronting the Fifth Committee was essentially a political one. Nevertheless, the groundwork done by the Committee on Contributions would form a solid technical basis for negotiation, which must result, by the end of the year, in a scale of assessments for the period 1998-2000.

8. In January 1996, the European Union had made proposals aimed at re-establishing as close a link as possible between the scale of assessments and the ability of each Member State to contribute to the Organization's costs and was pleased to note that the conclusions of the Committee on Contributions on several components of the methodology were along the same lines. The European Union welcomed the use of the gross national product as the basis for calculating the scale, as in the methodologies submitted by the Committee on Contributions. The European Union had also proposed a reduction in the statistical base period to three years as the best way of reflecting a country's current economic performance and thus its capacity to pay; that was a position shared by both the Ad Hoc Intergovernmental

Working Group on the implementation of the principle of capacity to pay and the Committee on Contributions. With a view to reflecting economic realities and preventing increases in contributions from one scale to another, the European Union had proposed recalculating the statistical base period annually. Moreover, its position on conversion rates was the same as that of the Committee on Contributions.

9. He noted the recommendation by the Committee on Contributions that debt burden adjustment, should it be retained in the scale methodology, should be based on actual principal repayments (para. 79). Foreign transfers for debt payment were, however, already taken into account in calculating gross national product and net national income, so that if the gross national product were taken as the measure of income for calculating the scale, debt burden adjustment was already taken into account to some extent.

10. He regretted that the Committee on Contributions had been unable to make a consensus recommendation on the low per capita income adjustment. Besides the principle of capacity to pay, it was unanimously acknowledged that, on the basis of the principle of equity, the situation of countries with a low per capita income should be taken into account through the determination of a relief gradient. The need to find a balance between the principles of capacity to pay and of equity had led the European Union to propose a gradient of 75 per cent.

11. The European Union had already stated its preference for abolishing or substantially reducing the floor. The recommendation by the Committee on Contributions that the floor should be set at 0.001 per cent (para. 89) was a move in that direction. As for the ceiling, it went without saying that it already constituted a significant exception to the principle of capacity to pay. A ceiling for the regular budget scale below the current 25 per cent would be unreasonable and contrary to the principle of equity.

12. The principle of capacity to pay should result in the immediate abolition, from the first year of the new scale, of the scheme of limits on assessments. In that regard, he noted the tentative proposal by the Committee on Contributions that the scheme should be phased out gradually over the next scale period with an accelerated phase-out in the second year (para. 94).

13. The position of the European Union comprised a coherent package of measures combining a review of the scale for the regular budget and the scale for the budgets of peacekeeping operations with proposals on arrears and with incentives and disincentives. The aim was to provide the Organization with stable and predictable funding, to make the mechanisms involved more credible, and to ensure that contributions were paid promptly, in full and without conditions.

14. The way in which capacity to pay was defined, as a decision was taken on the scale of assessments, should help to prevent non-payment of contributions. More and more Member States were late with their payments and an increasing number were subject to Article 19 of the Charter. The task before the Committee was thus of vital importance for the Organization.

15. **Mr. Mwakawago** (United Republic of Tanzania), speaking on behalf of the Group of 77 and China, said they believed that their proposal contained in General Assembly resolution 51/212 B, paragraph 1 (c), provided a sound basis for further negotiation with a view to determining the scale for the period 1998-2000. In that regard, the cardinal principle in the apportionment of the Organization's expenses remained capacity to pay; deviation from that principle might have serious consequences.

16. The continuing financial difficulties of the Organization were the direct consequence of the non-payment of substantial arrears and overdue contributions by some major contributors. Viable solutions could emerge only when Member States took positive action to clear their arrears and to pay their future assessed contributions in full, on time and without conditions or benchmarks, in accordance with their legal obligations under Article 17 of the Charter.

17. The current financial situation was not linked to the methodology for the scale, and no revision of that methodology would resolve the critical financial situation or change the aggregate level of revenues available, or guarantee payment of assessed contributions promptly and in full in the future. On the contrary, there was every likelihood that a revision might adversely affect the Organization's revenues and thus weaken its effectiveness.

18. A decision needed to be taken on the new scale as a matter of urgency, and all consultations should be conducted openly and transparently. Any proposal which was, in essence, discriminatory against the developing countries on any pretext was totally unacceptable.

19. **Mr. Blukis** (Latvia), speaking also on behalf of Estonia and Lithuania, said that the General Assembly, by its resolution 49/19, had begun a gradual reform of the scale of assessments involving not only the elimination of the scheme of limits, but also the length of the statistical base period and conversion rates. Gradual reform must continue in pursuit of equity based on the principle of capacity to pay.

Most important in the next scale would be the elimination of the scheme of limits and the lowering of the floor, which currently led to inequitable assessments for many small and poor States. The goal over the next two scales was a methodology which, in addition to being more equitable, would be simpler, more transparent and stable, and be based on more comparable and reliable data.

20. His delegation welcomed the proposals by the European Union and the Group of 77 and China, and noted the overlap between them and the proposals by the Committee on Contributions. Negotiations had already been under way for one year, and he trusted that, with flexibility, it would soon be possible to move forward.

21. The Fifth Committee was in an unusual situation in that the report of the Committee on Contributions did not contain a recommended scale for the period 1998-2000, although the completion of the partial agreement achieved by the Committee on Contributions at its fifty-sixth and fifty-seventh sessions would lead to a scale that was very close to the most widely supported proposals in the Committee's report. The technical work planned for future sessions, covering all the reform elements included in the eight proposals, offered the best technical basis for negotiation. Further elements, such as currency conversion rates, would also be covered, and the reform proposals together offered a realistic hope of producing an improved scale by the year 2001. The Committee on Contributions should also be requested to recommend, in 2000, an improved scale for the period 2001-2003.

22. An improved scale would bring indirect long-term benefits such as an improved financial situation, less difficult scale negotiations and an improved image of the United Nations. In contrast, increased inequity in the scales would have a negative impact on the financial situation: for that reason, proposals that would result in a more inequitable scale were not negotiable.

23. One benefit of an improved scale was that the maximum arrears permitted under Article 19 would decrease with a lower assessment; moreover, equitable assessments based on capacity to pay were easier to pay in full and on time.

24. Traditionally, there had been a short-term focus in negotiations on the difference in points between successive scales. Member States might, however, compare the benefit accruing from a reduced assessment to the dividend accruing from a downsized budget as a result of a decline in peacekeeping budgets. For most States, the benefit from a downsized budget was far greater than the impact of a few points added or subtracted. The disarmament dividend also offered considerable benefits. Lastly, savings from assessments below capacity to pay were hard to negotiate, given that the context was a zero sum game, whereas savings from the dividends he had referred to accrued to all Member States, without any negotiation. Member States thus had a significant common interest in approaching negotiations in a flexible manner and only a minor interest in adopting a tough position towards any particular outcome of the scale negotiations.

25. **Mr. Owada** (Japan) said that the Organization's financial crisis was largely due to the failure of some Member States to pay their contributions, in violation of their solemn obligations under the Charter. Measures to compel payment should be seriously considered; in that regard, he hoped that the High-level Open-ended Working Group on the Financial Situation of the United Nations would resume its work in the near future.

26. Many Member States, including Japan, were pursuing drastic reforms to reduce their budget deficits. In that context, it was essential to ensure that the scale of assessments was equitable so that the people of those countries would support the payment of assessed contributions. Japan was the second largest contributor to the Organization; its current assessment nearly equalled the combined assessments of all the permanent members of the Security Council except the United States. Its share in the world economy was about 17 per cent, but some of the proposals being considered would cause its assessment to exceed 20 per cent. To ensure that the Organization's expenses were equitably apportioned, Japan advocated the use of "responsibility to pay" as the basis for calculating the scale of assessments, together with the current concept of "capacity to pay". The new concept would apply, *inter alia*, to the permanent members of the Security Council, in view of their special responsibilities.

27. Although he understood that the ceiling was intended to keep the United Nations from becoming excessively dependent on any single country or small group of countries, a reduction of the ceiling should not result in an increase in the financial burden of other countries to a level which would be disproportionate to the responsibilities they assumed. His delegation was prepared to submit a specific proposal on the incorporation of the "responsibility to pay" principle, under which countries with special responsibilities within the United Nations would bear a commensurate share of the financial burden.

28. His delegation's basic position on the scale methodology was reflected in proposal E, as presented in the report of the Committee on Contributions (A/51/11, para.

67). In particular, it agreed on a six-year base period, a reduction of the gradient to 75 per cent for the low per capita income adjustment, the maintenance of the 25-per-cent ceiling and a gradual phasing out of the scheme of limits.

29. With respect to the recommendations contained in section IV.F of the report, no permanent member of the Security Council should be eligible for the low per capita income adjustment, in keeping with the principle of "responsibility to pay". In addition, a gradient of 85 per cent would seem too favourable to developing countries with large economies; 75 per cent would be more appropriate. The scheme of limits should be phased out in equal instalments by the year 2000 in order to mitigate the impact on the States affected. In general, all the elements of the methodology should be equitably balanced, and the methodology should be discussed as an integrated whole. It was most important to arrive at a consensus which every Member State could accept and honour, so as to ensure the stability of the Organization's financial base.

30. **Mr. Caballero** (Paraguay), speaking on behalf of the Rio Group, reiterated the Group's view that the scale of assessments was completely unrelated to the Organization's financial difficulties. Previous reforms of the scale had failed to remedy the constant problem of Member States failing to meet their financial obligations. The Organization's payments crisis would not end until the Member States complied with their Charter obligations in full, on time and without conditions.

31. The scale of assessments should be the outcome of an orderly process whereby any changes in the economic performance of the Member States were reflected in the apportionment of the Organization's expenses. Capacity to pay should remain the basic criterion for determining the scale; any methodological changes that could cause the final results to deviate from that concept should be minimized. The Rio Group was concerned that the adoption of political formulas could create inequities in the apportionment of expenses.

32. The proposals requested in paragraph 1, subparagraphs (b) and (c), of General Assembly resolution 51/212 B coincided with each other and represented the clearest indication of the general interest expressed by 133 Member States, the trend among the majority and the outcome of negotiations which had reflected a logical balance and an equitable give and take.

33. Constant changes in elements of the methodology had led to distortions and injustices in the scale of assessments. Measures must therefore be taken to ensure stability and equity in the apportionment of the expenses of the United Nations and to avoid sudden changes in assessed contributions. The maintenance of a stable base period was essential for reflecting the real capacity to pay of Member States.

34. The existence of a ceiling prevented the scale from reflecting the real capacity to pay of that element's only beneficiary. A new reduction in the ceiling would amount to an additional subsidy given to the major contributor by the other Member States, and could offset the effects of the adjustment measures included in the scale methodology. In some cases, it would result in disproportionate increases in contributions.

35. The debt-burden adjustment should continue to be based on both principal and interest payments. The low per capita income adjustment was an essential element of any methodology for apportioning the Organization's expenses. Special attention should be paid to countries whose situation would be jeopardized if they crossed the threshold level. In conclusion, the Rio Group was committed to the adoption by consensus of a new scale of assessments at the current session.

36. **Ms. Trinidad** (Philippines), speaking on behalf of the member States of the Association of South-East Asian Nations (ASEAN), said that they wished to associate themselves with the views expressed by the representative of the United Republic of Tanzania on behalf of the Group of 77 and China.

37. Only the General Assembly could apportion the expenses of the United Nations; any unilateral action by a Member State to determine its share was unacceptable. ASEAN was concerned about the impact of the financial crisis on mandated programmes and activities and about the continuing delays in the reimbursement of developing countries which provided troops and equipment to peacekeeping operations. The current difficult financial situation was due not to the methodology of the scale of assessments, but to the failure of some Member States, especially the major contributor, to honour their Charter obligations, in full, on time and without conditions.

38. The principle of capacity to pay must continue to be the basis for determining contributions under the new scale of assessments. With respect to the methodology for constructing the new scale, ASEAN supported the recommendation of the Committee on Contributions that estimates of GNP should be used as a starting point for determining capacity to pay. The base period should be long enough to provide stability and predictability; the six-year period agreed upon by the Committee on Contributions seemed reasonable. The current debt-burden adjustment

should be retained, as should the current formula for the low per capita income adjustment.

39. The recommendation to lower the floor rate to 0.001 per cent would provide welcome relief to many of the least developed countries, but should not adversely affect other countries in that group, whose individual assessment rates should not exceed their current level of 0.01 per cent. Any change in the ceiling should not lead to an increase in the assessment rates of developing countries.

40. The remaining effects of the scheme of limits should be phased out gradually; the approach used in the current scale was a reasonable compromise. The impact of the phase-out on developing countries benefiting from its application should be limited to 15 per cent of the total effect of the phase-out. Lastly, ASEAN agreed that future scales should be carried to three decimal places and that market exchange rates should be used except where price-adjusted rates of exchange (PARE) or other conversion rates were more appropriate.

41. The proposal on annual recalculation was unacceptable, since it would create greater instability in the scale.

42. The elements proposed in paragraph 1, subparagraph (c), of General Assembly resolution 51/212 B would result in a reasonable and balanced scale that took into account the interests of the majority of Member States. It was very important to decide on the new scale for the next triennium before the end of the current regular session. The ASEAN countries would work to ensure that the widest possible agreement was reached on the new scale for the period 1998-2000.

43. **Mr. Armitage** (Australia), speaking on behalf also of Canada and New Zealand, said that the current scale methodology did not accurately reflect the capacity to pay of Member States. Technical adjustments in the machine scale should reflect that central principle and should produce end results that were consistent with current global economic realities. Elements of the methodology that tended to obscure economic developments, such as high rates of economic growth, economic declines or painful transitions, must be eliminated.

44. Two of the most distorting elements were the low per capita income adjustment and the ceiling. While countries with per capita incomes below the world average should continue to receive relief, the extent of that relief and the distribution of the resulting burden were in need of review, especially since such countries would benefit substantially if GNP was used as the income measure in the next scale. The ceiling skewed the principle of capacity to pay by conferring a benefit on the wealthiest contributor, the burden of which was borne by the others. Many States currently paid a floor rate in excess of their capacity to pay. Any further reduction in the ceiling would render that principle meaningless.

45. It was time to move to a new phase of negotiations in which countries explored not what they would prefer, but what they could live with in the broader interests of the Organization. In particular, the Committee must look for ways to bridge the differences between the eight proposals discussed in the report of the Committee on Contributions (A/51/11). Paragraphs 71 to 97 of that report described a possible ninth proposal, most of the elements of which had been agreed upon by the Committee on Contributions. That unfinished work could provide a point of departure for the Fifth Committee's negotiations on a new and universally acceptable scale which would reassert the primacy of the principle of capacity to pay.

46. **Mr. Sychou** (Belarus) said that the Organization's stability and successful financial functioning were heavily dependent on the methodology for the apportionment of its expenses. The many changes in the scale of assessments over the years, which had been adopted for political reasons, had distanced it from the principle of capacity to pay, and had prompted the General Assembly to establish an ad hoc intergovernmental working group to study all aspects of the implementation of that principle as the fundamental criterion in determining the scale of assessments (resolution 49/19 A).

47. The Organization's financial crisis was attributable not only to the failure to pay contributions, but also to the evident unfairness of the scale of assessments with respect to some countries and to the areas of political and technical disagreement between countries on the scale methodology. The current system of financing the United Nations must be changed to ensure the fair distribution of the Organization's financial burden.

48. The disproportion of the scale of assessments had caused his country to accumulate arrears in its contributions. While General Assembly decisions 48/472 and 49/470 had evinced an understanding of the objective economic difficulties faced by Belarus, the problems experienced in reaching those decisions had shown that reform of the system was not easy, even in obvious situations. The assessed contribution of Belarus to the regular budget could be brought into line with its real capacity to pay in 1998 if the effects of the scheme of limits were completely eliminated in the first year of the next scale period. Despite

its difficulties, however, Belarus intended to fulfil its financial obligations to the United Nations.

49. The scale of assessments could not become transparent and realistic unless all the elements which distorted the principle of capacity to pay were eliminated, insofar as was possible. Moreover, the least developed countries and other States with real economic difficulties must not be overburdened. He supported the reduction of the floor rate to 0.001 per cent, the maintenance of the ceiling at 25 per cent, and the practice of basing the low per capita income adjustment and the debt-burden adjustment on the actual volume of debt of Member States.

50. Experience had shown that too long a base period, far from ensuring stability, tended to distort the principle of capacity to pay; the base period should therefore not exceed six years. The remaining effects of the scheme of limits on the scale of assessments should be eliminated in 1998. The gradual elimination of those effects would only show a lack of political will to act decisively to improve the Organization's financial system. The only way to overcome the chronic financial crisis was to adopt a new scale of assessments that would streamline the system for the apportionment of expenses.

51. **Mr. Kurien** (India) said that the failure of Member States to pay their assessed contributions in full and on time made it difficult for the Organization to plan its finances properly and to discharge its important mandates in the furtherance of global peace and development.

52. Even though the financial crisis was not the result of any inherent defect in the scale of assessments, his delegation would be willing to discuss the revision of the scale of assessments in a positive and constructive manner. The current methodology for determining the mode of apportionment of the Organization's expenses was the incremental result of the collective experience of Member States over the past half century; it had therefore stood the test of time. His delegation was nevertheless prepared to join in any consensus for refining the methodology so that it would better reflect the fundamental principle of capacity to pay. The first objective, however, must be to work on arrangements to clear the financial backlog and ensure a smooth flow of funds in the future.

53. While economic underdevelopment, political changes and temporary financial problems continued to hamper the ability of some States to pay, those factors did not detract from the fact that the Organization's capacity to serve Member States would continue to be crippled as long as prospects for assessed receipts from important contributors, and especially from the major contributor, remained uncertain. Other Member States faced the additional problem of long delays in the reimbursement of expenses relating to United Nations peacekeeping operations.

54. Turning to specific points in the report of the Committee on Contributions (A/51/11 and Corr.1), he said that his delegation agreed with the Committee's view that future scales should be based on estimates of gross national product. Considering the relative merits of a shorter or longer base period, he hoped that a compromise would emerge somewhere in between. He concurred with the Committee's views on conversion rates and, on the question of debt burden adjustment, said he believed that relief from debt, which often overwhelmed the economies of many developing countries, remained a valid and necessary factor in the scale methodology.

55. His delegation welcomed the consensus on the importance of maintaining the relief currently given to developing countries with low per capita incomes. Far from distorting the scales, such relief provided a moderating element in the existing formula for determining how much each country should pay and allowed the calculations to reflect the principle of capacity to pay.

56. On the question of floor rates, his delegation was sensitive to the concerns expressed by many small developing countries and, with regard to changes to the ceiling, it believed that any consensual solution must ensure that the burden was not shifted from the developed to the developing countries. His delegation expected the issue of the scheme of limits to be addressed with a view to reaching an early consensus on the modalities of its final phasing out. Finally, his delegation supported the Committee's recommendation that the scale of assessments should be carried to three decimal places.

57. **Mr. Londono** (Colombia), speaking on behalf of the Movement of Non-Aligned Countries, said that the 113 non-aligned countries were convinced of the usefulness of a mechanism that would distribute the expenses of the Organization equitably. They were concerned about the Organization's deteriorating financial situation and did not believe that the current crisis could be solved by a simple modification of the scale of assessments; that was not the cause of the problem. Indeed, the recent report of the Under-Secretary-General for Management had made it clear that the root cause was the failure of Member States to pay their assessed contributions.

58. The non-aligned countries believed that any new scale should be based on the principle of capacity to pay; any change in the methodology for the calculation of the scale which did not take that principle into account would lead to

serious difficulties. Moreover, any reduction in the maximum rate of apportionment that would entail additional costs for heavily indebted developing countries would also cause severe problems.

59. **Mr. Marzuki** (Malaysia) said that the Secretary-General's reform proposals could be successfully implemented only with adequate financing from Member States. It was therefore regrettable that, as at 30 September 1997, the Organization was owed $2.417 billion in outstanding payments and that the major contributor accounted for 60 per cent of that amount. Even though Malaysia was owed some $30.7 million by the United Nations for the cost of troops and equipment contributed to peacekeeping operations, it had paid its regular budget contribution for 1997 well within the 30-day period allowed and had discharged all its obligations for peacekeeping operations and for the International Tribunals on the former Yugoslavia and on Rwanda.

60. It was most unfortunate that the Fifth Committee had been unable to provide clear guidelines as to the elements to be used by the Committee on Contributions for the calculation of the scale of assessments for the triennium 1998-2000 and it was unprecedented that the General Assembly should have requested the Committee on Contributions to work on eight proposals for the scale. The Fifth Committee could no longer defer discussion of the item, since failure to adopt an agreed scale would mean that there would be no system of assessment for Member States to contribute to the budget of the Organization for the next triennium.

61. Despite the disparities in income and stages of economic development among its members, the Group of 77 and China had submitted a reasonable proposal and the Committee on Contributions had agreed on several elements of the scale which were in line with that proposal.

62. It was important that the principle of capacity to pay should continue to be the basis for determining the share of Member States in the expenses of the Organization. The new scale should be stable and should not be subjected to excessive changes in assessment rates during the period 1998-2000. His delegation believed that an annual recalculation of the scale would tend to cause greater instability and that yearly negotiation of the scale would become unnecessarily tedious.

63. Of the eight proposals put forward by the Committee on Contributions for consideration, the issue of greatest concern to his delegation was the proposal of the United States that the ceiling rate should be reduced from 25 per cent to 20 per cent; that would result in a substantial decrease in the assessment of the largest contributor. If that proposal were adopted, the other Member States would have to absorb the resulting shortfall; his country's assessment, for example, would be almost double – 0.272 per cent compared with its current level of 0.14 per cent. Calculated solely on the principle of capacity to pay, the largest contributor should, in fact, be paying more than the ceiling of 25 per cent of the regular budget. While his delegation shared the view that it would not be in the Organization's best interests to rely on one Member State for a quarter of its regular budget, it believed that it would be counter-productive to support a proposal that significantly reduced the assessment of one Member State while unrealistically and unfairly imposing additional financial burdens on other States with less capacity to pay.

64. **Mr. Monayair** (Kuwait) commended the Committee on Contributions for its work, but noted that, despite some progress, it had been unable to reach agreement on an acceptable scale of assessments, with the result that the issue had now been returned to the Fifth Committee. The position of the Group of 77 and China was a useful basis for discussion in that connection. The real reason for the Organization's recurrent financial crisis was not the scale methodology as such; it was rooted in the cumulative effect, over time, of the failure of some Member States to honour their commitments. Tinkering with the methodology was bound to be of limited utility as long as that was the case. Kuwait, for its part, had always paid its assessed contributions in full and on time.

65. The principle of capacity to pay was valid in itself, but the scale methodology should take various factors into account in determining capacity to pay. The assessments of developing countries should not be adjusted upward simply in response to reductions in those of developed countries; their economic circumstances and development-related constraints should be taken into account, in accordance with various General Assembly resolutions.

66. The reform process currently under way was certainly welcomed by all Member States. The fact remained, however, that the Committee had to reach agreement on the funding of the Organization's budget within the next few weeks.

67. **Mr. Kabir** (Bangladesh) said that, in discussing the scale of assessments, the Committee was confronted with essentially two sets of challenges. The first was of a technical nature and revolved around the question of accommodating the interests of all Member States in the new scale. The second related to the capacity of the Organization

to uphold the spirit of multilateralism, which was the essence of the world body.

68. His delegation believed that the principle of capacity to pay should remain the fundamental basis for determining the scale of assessment. Given the continuing deterioration of socio-economic conditions in most of the 48 least developed countries, the latter should also be allowed to benefit from a lowering of the floor rate. His delegation also noted the view of the Committee on Contributions that the current individual rate of assessment of the least developed countries (0.01 per cent) should remain as an element to be considered for the next scale.

69. The low per capita income allowance was yet another important element without which the scale methodology could not produce an equitable result. Due consideration must also be given to the element of debt burden adjustment, particularly since most of the least developed countries were overwhelmed by their debt burden. The base period should be long enough to absorb the fluctuations which were so common in the economies of the developing countries; the proposal for a base period of six years might be a reasonable compromise.

70. Any reform of the scale of assessments for the regular budget would have significant implications for the peacekeeping budget also. His delegation felt strongly that the scale for peacekeeping operations should reflect the special responsibility of the permanent members of the Security Council, as well as their relative ability to contribute. It was ironic to note that the fact that some of the principal contributors had not been paying their assessed contributions for peacekeeping operations which had resulted in delays in the reimbursement of troop contributing countries, which, like Bangladesh, were mostly from the developing world and, incidentally, were the ones which had paid their assessed contributions in full.

71. It was an obligation under the Charter and the shared responsibility of all Member States to contribute to the expenses of the Organization in accordance with the agreed scale of assessments. It would therefore not be enough to revise the current scale. All Member States must make a solemn commitment to live up to their obligations under the Charter by paying their assessed contributions in full, on time and without any conditions. Any unilateral action would damage the spirit of multilateralism and, in the process, render the United Nations ineffective.

72. **Mr. Richardson** (United States of America) said that the scale of assessments was of critical importance not only to the future of the United Nations but also to the engagement of the United States in the Organization. His delegation was seeking a reduction in the ceiling of the scale of assessments for the regular budget to 22 per cent by 1998 and to 20 per cent by the year 2000, as well as an immediate reduction in the ceiling for the scale for peacekeeping operations to 25 per cent.

73. The adoption of his delegation's proposal would allow his Government to pay off the bulk of its arrears and to restore reliable and consistent United States financial and political support for the United Nations; at the same time, it would guarantee that the Organization would remain on a solid financial footing well into the following millennium. On the other hand, failure to revise the scale of assessments for Member States would damage the relationship between the United States and the Organization, a development that would be calamitous and dangerous for the future of the United Nations, the United States and the international community as a whole. His delegation's goal and the goal of the Committee must be to prevent such a disaster from occurring.

74. He believed that a fair and evenhanded discussion of his delegation's proposal would lead to its eventual acceptance by the Committee. The proposal was consistent with the long-held United States principle that the United Nations must not be dependent on a single Member State for its financial underpinning. That view had, indeed, long been shared by the United Nations. In 1946, the Committee on Contributions had chosen to limit the maximum contribution of any one Member State on the basis of the principle that the equality of Member States might be jeopardized if one Member State were to dominate the Organization's finances. Recognizing the danger of dependency, the General Assembly had established a ceiling on assessments.

75. His delegation believed very strongly that the United Nations must end its unhealthy overdependence on one nation and adapt new scales of assessments for Member States which would accurately reflect modern economic realities. The world had long since recovered from the devastation of the Second World War. From Santiago to Seoul and from Brasilia to Beijing, growing and prosperous economies dotted the globe. A change in its scale of assessments would, of course, in no way affect his country's unquestioned commitment to the United Nations and its goals. The United States remained the largest contributor to the United Nations system and its contributions were only one element of the many areas in which it supported peace and sustainable development across the globe. His Government therefore believed that its contributions to the United Nations budget should be considered in the broader context of the overall support it provided.

76. As negotiations began on the scale of assessments, the following four principles should guide the debate: the United Nations should not be overly dependent on a single Member State; the status quo was not an option, since the current scale of assessments was not tenable; any changes in political boundaries and subsequent corresponding changes in a nation's economic position should be immediately reflected in that Member State's scale of assessment; and the methodological criteria for determining scales of assessment must be simple, direct, transparent and non-duplicative, and an acceptable minimum rate of assessment should be required of all Member States as a symbol of their responsibilities and duties as States Members of the United Nations.

77. His delegation believed, moreover, that the scale of assessments for peacekeeping operations should also follow those principles and must be considered by the Committee during the current session. It was time for the Organization to establish a maximum rate of no more than 25 per cent for that scale. Equally important, Member States must take immediate action to eliminate the rigidity of the group system and to formalize the scale of assessments for peacekeeping operations after nearly a quarter of a century of adopting an ad hoc approach. Since the peacekeeping and regular budgets were inherently related and were a package, his delegation reserved the right to raise the question of the scale of assessments for peacekeeping operations under the current agenda item if it could not be resolved under agenda item 142.

78. For 52 years, the United States had been a political, military and economic leader in the Organization. If that leadership role was to continue, it was essential for the Fifth Committee to give strong consideration to its proposal and to the attendant results if the proposal were to fail.

*The meeting rose at 5.15 p.m.*

United Nations A/C.5/52/SR.10

# General Assembly
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**Fifth Committee**

**Summary record of the 10th meeting**
Held at Headquarters, New York, on Tuesday, 21 October 1997, at 10 a.m.

*Chairman:* Mr. Chowdhury ..... (Bangladesh)
*Chairman of the Advisory Committee on Administrative and Budgetary Questions*: Mr. Mselle

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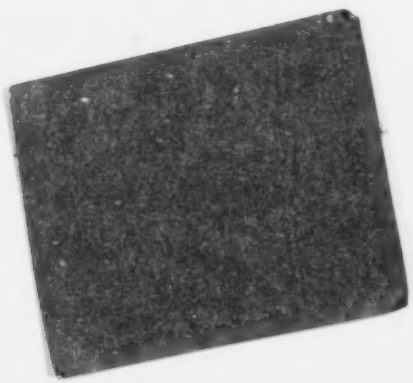
Agenda item 120: Scale of assessments for the apportionment of the expenses of the United Nations (*continued*)



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97-82168 (E)

*The meeting was called to order at 10.10 a.m.*

**Agenda item 120: Scale of assessments for the apportionment of the expenses of the United Nations** (*continued*) (A/51/11 and Corr.1)

1. **Mr. Subedi** (Nepal) associated himself with a statement made by the representative of the United Republic of Tanzania on behalf of the Group of 77 and China and said that all Members of the United Nations, without exception, must abide by their financial obligations to the Organization. The principle of capacity to pay remained the fundamental criterion in the assessment of contributions. Under the current system, irrespective of their share of adjusted world income, a large number of smaller countries were required to pay a fixed amount that bore little relationship to their capacity to pay, an arrangement which was neither fair nor scientific. Yet, the majority of them paid their assessed contributions in full and on time.

2. In seven of the eight options proposed, the floor rate would be lowered or abolished. The position of the Committee on Contributions was clear: the floor should be lowered to 0.001 per cent, because of the serious departure from the principle of capacity to pay for a number of smaller States in the existing scale. To safeguard the interests of the least developed countries, a cap of 0.01 per cent should be put on those countries' rates of assessment.

3. **Mr. Edwards** (Marshall Islands), speaking on behalf of the Solomon Islands and other States as well as his own country, expressed displeasure that the largest contributor had not yet paid its arrears, thereby disdaining the trust which States placed in the United Nations. Since the principle of capacity to pay was not being respected, the Marshall Islands had decided to support the proposals of the Committee on Contributions, believing it essential to begin the reform of the scale without delay and to carry it out in two or three rounds, if necessary.

4. The first issues to settle should be the floor rate, the base period and the low per capita income adjustment. The current floor rate discriminated against some smaller countries, which found themselves spending more on their assessed contribution than on their actual representation at United Nations Headquarters, which was certainly not the case for most developed countries, particularly those which wanted to maintain the status quo.

5. Since the vast majority of the Member States were in favour of lowering the floor rate, if not abolishing it, it was difficult to understand why the necessary decision had not been taken. In general, it was a source of surprise that there was no consensus on a fair scale of assessments based on strict technical criteria, especially the principle of capacity to pay. The obligation to pay was not an issue; it would merely seem less onerous to some countries if the scale was more equitable. It was therefore essential to reach agreement on the priority issues, on the basis of the principle of capacity to pay, or else henceforward to omit all reference to that fundamental principle.

6. **Mr. Park Soo Gil** (Republic of Korea) welcomed the efforts of the Committee on Contributions to formulate a ninth proposal. While total agreement had not been reached in that regard, at least there was a tentative consensus on some elements, including the base period, the debt burden adjustment and the scheme of limits.

7. The principle of capacity to pay was paramount, because it aimed at producing fairness and equity. The scale must also be stable and predictable, since otherwise the fluctuations in assessed contributions would be excessive. It had been to meet the latter requirement that the scheme of limits and the longer base period had been adopted. His delegation was therefore pleased that the Committee on Contributions had recommended that the scheme on limits should be phased out gradually and that the effects of the phase-out should be limited to 15 per cent of what would normally have been the case for some developing countries. As the Committee on Contributions had stated, a six-year base period represented a reasonable compromise between the position of those who advocated its lengthening and the position of those who advocated its shortening.

8. The economic status of the developing and least developed countries must be taken into consideration, the debt burden adjustment and the low per capita income relief must be maintained, and agreement must be reached on the relief gradient to be adopted. The floor rate should be adjusted downwards to 0.001 per cent, as recommended by the Committee on Contributions.

9. As to the ceiling rate, it seemed plausible to reduce it from 25 per cent to 20 per cent to eliminate over-reliance on contributions from a single Member State; however, the result of such action would be to aggravate the already serious deviation from the principle of capacity to pay and to transfer the additional burden to other Member States. In that regard, it bore repeating that the Organization's financial ills could be cured if only Member States had the political will to discharge their financial obligations in full, on time and without condition.

10. With regard to peacekeeping operations, the Republic of Korea was considering a gradual move from group C of contributors to group B and would submit a plan for the

transfer after the adoption of a resolution on the scale of assessments for the regular budget for 1998-2000.

11. **Mr. Albin** (Mexico) said that proposal B in the report of the Committee on Contributions (A/51/11) was the same as the one in draft resolution A/C.5/51/L.21, which Mexico had submitted in December 1996. His delegation was convinced that that proposal provided a good basis for an agreement but was prepared to participate constructively in negotiations to find a compromise solution satisfactory to all Member States.

12. Any decision which the General Assembly might take on methodology should have three major components: respect for the principle of capacity to pay; obligation of all Member States to contribute equitably to the expenses of the Organization; need for assessed contributions to be stable and predictable.

13. His delegation deemed it important that assessments should not be established unilaterally by Member States. In accordance with the Charter, the General Assembly must set the individual rates of assessment. Any State which so wished could then make voluntary contributions in addition to its assessed contribution.

14. As to requests for exemption under Article 19 of the Charter, the Committee on Contributions rightly considered that every request should be considered in the light of the individual situation of the State concerned. Decisions should have an exceptional character, and there was no need for uniform criteria. If exemptions were accorded too frequently, the measures provided for in the Charter in the case of non-payment of assessments ran the risk of becoming a dead letter.

15. Adjusting the scale would not in itself be sufficient to settle the financial crisis of the Organization. The only solution to that problem was for all Member States to abide by the Charter and pay their contributions in full, on time and without condition.

16. **Mr. Retta** (Ethiopia) associated his delegation with the statement made on behalf of the Group of 77 and China and said that the review of the scale of assessments was destined to play only a marginal role in resolving the financial crisis. The financial situation would be restored to normal only if all Member States undertook to pay their assessed contributions in full and on time.

17. The only countries which could benefit from the exemption provided for in Article 19 of the Charter were those facing extreme difficulties in the aftermath of a conflict or a serious external shock to the economy or a natural disaster. The General Assembly should give a clear mandate to the Committee on Contributions to devise a set of criteria for granting such exemption.

18. The macroeconomic situation of developing countries was still affected by the crises of the mid-1980s and by liberalization and globalization. The base period must be sufficiently long to reflect that reality. His delegation therefore favoured a base period of at least six years.

19. Ideally, the conversion rate for statistical data for each country should be the official rate which it used for transactions with the rest of the world in the period under consideration. In the case of excessive and continuing fluctuations affecting the assessment of a Member State, there should be negotiations between it and the United Nations so that the problem could be addressed objectively.

20. One of the main obstacles to sustainable development was the debt overhang and the debt-service payment. That reality should be taken into account in the methodology of the scale by addressing the specific situation of developing countries. The low per capita income adjustment was the only criterion to be directly correlated with the principle of capacity to pay; the gradient should remain at 85 per cent or be increased. As to the floor, his delegation endorsed the recommendation of the Committee on Contributions that all Member States whose adjusted income represented less than 0.01 per cent of adjusted world income should be assessed at their actual share of the latter amount, subject to a minimum rate of 0.001 per cent. Lastly, it emphasized that the Committee on Contributions should give the necessary consideration to the difficulties of the least developed countries when it resumed its work on the formulation of a new scale of assessments.

*The meeting rose at 10.45 a.m.*